

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 COME-00 EB-11 LAB-06 SIL-01 STR-08 DRC-01

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R 260900Z APR 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 508

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD CH

SUBJECT: 1974 SPRING CANTON TRADE FAIR--INTERIM REPORT

BEGIN SUMMARY: AFTER A SLUGGISH START, BUSINESS ACTIVITY SHOWED SOME SIGNS OF PICKING UP BY THE MIDDLE OF THE SECOND WEEK. THE CHINESE HAVE MADE NUMEROUS PRICE ADJUSTMENTS, AND NOT ALL UPWARDS. BUT THE CONCENSUS AMONG FOREIGN BUSINESSMEN IS THAT PRICES ARE VERY HIGH--OFTEN TOO HIGH--AND SUPPLY IS LIMITED. CONTRACTS ARE BEING SIGNED, BUT TRANSACTIONS ARE ALMOST CERTAINLY RUNNING BELOW TH LEVEL OF LAST FALL'S FAIR.

THE EXPORT ORIENTATION OF THE FAIR HAS BEEN RE-EMPHASIZED. TECHIMPORT IS NOT REPRESENTED, AND NO FIRMS HAVE BEEN INVITED PRIMARILY TO MAKE INTRODUCTORY OR TECHNICAL PRESENTATIONS. HOWEVER, SOME FIRMS AT THE FAIR ARE TALKING TO MACHIMPEX ABOUT POSSIBLE SALES OF MACHINERY TO THE PRC.

THERE IS NO NOTICEABLE INCREASE IN POLITICAL SLOGANS AT THE FAIR AND MOST FOREIGNERS REPORT NO POLITICAL

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DISCUSSIONS AT THEIR BUSINESS SESSIONS. AMERICAN

BUSINESSMEN SAY THEY ARE BEING WARMLY TREATED AND SEE NO EVIDENCE OF ANY CHANGE IN THE CHINESE ATTITUDE TOWARD THEM AS COMPARED WITH LAST FALL. FAIR OFFICIALS APPEAR TO BE MAKING AN EFFORT TO EMPHASIZE THAT POINT. END SUMMARY.

1. THE FOLLOWING WAS PREPARED BY USLO OFFICER HOROWITZ WHO IS IN HONG KONG FOR CONSULATION AFTER VISITING CANTON FOR THE FIRST TEN DAYS OF THE SPRING CANTON FAIR WHICH OPENED APRIL 15.

2. BUSINESS ACTIVITY AT THE FAIR, AFTER A SLUGGISH START, SHOWED SOME SIGNS OF PICKING UP BY THE MIDDLE OF THE SECOND WEEK. WHILE IT IS TOO EARLY TO MAKE AN OVERALL ASSESSMENT--THE FAIR RUNS FOR A MONTH--THE PICTURE AT THIS FAIR IS MIXED. IT IS, SO FAR, MUCH BETTER COMMERCIALLY THAN THE DISASTEROUS EVENT OF LAST SPRING WHEN THE CHINESE IMPOSED ENORMOUS ACROSS-THE-BOARD PRICE INCREASES, BUT AT THE SAME TIME BUSINESS IS BY NO MEANS BRISK AND TRANSACTIONS ARE ALMOST CERTAINLY RUNNING BELOW THE LEVEL OF LAST FALL.

3. AT THIS FAIR THE CHINESE MADE NUMEROUS PRICE ADJUSTMENTS, SOME UP AND SOME DOWN, BUT THERE IS A CONSENSUS AMONG FOREIGN BUSINESSMEN THAT PRICES ARE VERY HIGH, OFTEN TOO HIGH, AS COMPARED TO OTHER SOURCES OF SUPPLY.

THIS IS PARTICULARLY TRUE FOR AMERICAN BUYERS WHO MUST TAKE ACCOUNT OF THE HIGHER TARIFF RATES THAT APPLY TO CHINA DUE TO THE LACK OF MFN. THE FAIR IS ALSO CHARACTERIZED BY THE CHRONIC COMPLAINT THAT SUPPLIES ARE LIMITED, AND ALMOST ALL BUYERS SAY THAT THE CHINESE ARE OFFERING THEM ONLY A SMALL PORTION OF THE QUANTITIES THEY MIGHT WISH TO PURCHASE. IN A FEW CASES, BY CONTRAST, BUYERS SAY THEY MUST INTENTIONALLY LIMIT THEIR PURCHASE ORDERS BECAUSE OF SIGNIFICANT PORTION OF GOODS THEY BOUGHT LAST FALL HAVE NOT YET BEEN DELIVERD. EXPERIENCED TRADERS AT CANTON WHO DEAL IN A BROAD SPECTRUM OF GOODS DESCRIBE THE FAIR AS PATCHY, WITH BUSINESS PROSPECTS MEDIOCRE BUT VARYING BETWEEN DIFFERENT TYPES OF GOODS AND EVEN AMONG LIMITED OFFICIAL USE

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DIFFERENT BRANCHES OF THE SAME CORPORATION. DESPITE THE COMPLAINTS, MANY CONTRACTS ARE BEING SIGNED. HOWEVER, MOST BUSINESSMEN REPORT THAT THEY ARE NOT SPENDING AS MUCH AT THIS FAIR AS THEY DID LAST FALL.

4. IT IS TOO EARLY TO MAKE ANY JUDGEMENTS ON SALES TO CHINA SINCE MOST OF THESE CONTRACTS ARE NORMALLY CONCLUDED AT THE LATTER PART OF CANTON FAIRS. IT IS CLEAR,

HOWEVER, AT THIS FAIR THAT TH CHINESE HAVE RE-EMPHASIZED THE TRADITIONAL EXPORT ORIENTATION OF THE SEMI-ANNUAL EVENT. UNLIKE LAST YEAR THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION IS NOT REPRESENTED, AND NO FIRMS--EITHER AMERICAN OR OTHER--ARE AT CANTON PRIMARILY FOR THE PURPOSE OF MAKING INTRODUCTORY OR TECHNICAL PRESENTATIONS ON PLANTS OR TECHNOLOGY THEY MAY HAVE TO OFFER THE CHINESE. THERE ARE SOME FIRMS, HOWEVER, SUCH AS KODAK, WHICH ARE IN CANTON TO TALK TO THE MACHINERY CORPORATION ABOUT THE POSSIBLE SALE OF EQUIPMENT.

5. NOTWITHSTANDING THE CURRENT ANTI-LIN PIAO ANTI-CONFUCIUS CAMPAIGN, THE CURRENT FAIR IS NOT MARKED BY AN INCREASE OF POLITICAL DISPLAYS OR DISCUSSIONS. IN THE NEW FAIR BUILDING, THERE ARE, AS BEFORE, NUMEROUS POLITICAL SLOGANS, AN AREA DEVOTED TO THE WORKS OF MARX, LENIN AND MAO, AND DISPLAYS OF CHINA'S ACHIEVEMENTS, BUT THESE DO NOT SEEM TO MOST OBSERVERS TO BE AS OMNIPRESENT AS THEY WERE IN THE FORMER FAIR PREMISES. SEVERAL FOREIGN BUSINESSMEN HAVE BEEN SUBJECTED TO POLITICAL HARANGUES--FOR EXAMPLE, ONE ABOUT SOVIET IMPERIALISM AND ONE ABOUT PRICES OF PRIMARY COMMODITIES WHICH INCLUDED REFERENCES TO TENG HSIAO-PING'S RECENT SPEECH AT THE U.S.--BUT MOST FOREIGNERS AT CANTON REPORT NO POLITICAL DISCUSSIONS IN THEIR BUSINESS SESSIONS WITH THEIR CHINESE COUNTERPARTS. (THERE WAS A MINOR CAMERA INCIDENT, INVOLVING THE WIFE OF AN AMERICAN BUSINESSMAN. FAIR OFFICIALS CAME TO THEIR ROOM
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USIA-15 COME-00 EB-11 LAB-06 SIL-01 STR-08 DRC-01

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6. IT IS DIFFICULT TO ESTIMATE THE OVERALL NUMBER OF FOREIGN BUSINESSMEN AT THE FAIR. SOME EXPERIENCED FAIRGOERS ARE UNDER THE IMPRESSION THAT ATTENDANCE IS DOWN, BUT THIS MIGHT BE ATTRIBUTED TO THE FACT THAT THE PREMISES ARE CONSIDERABLY ENLARGED. A JAPANESE EMBASSY OFFICER FROM PEKING SAID THAT ABOUT 2,300 JAPANESE WERE EXPECTED, WHICH IS ABOUT THE SAME AS LAST AUTUMN. THERE IS ALSO A DEFINITE INCREASE, AT LEAST IN THE EARLY PART OF THIS FAIR, OF WEST GERMANS AND OF REPRESENTATIVES FROM MIDDLE EASTERN COUNTRIES.

7. THERE WERE FEWER AMERICANS ON HAND FOR THE FIRST FEW DAYS OF THE FAIR, BUT THEIR NUMBERS WERE GRADUALLY INCREASING AND BY THE TENTH DAY MORE THAN 80 U.S. FIRMS HAD BEEN REPRESENTED, AND APPROXIMATELY 100 TO 125 AMERICANS HAD BEEN IN ATTENDANCE. IN ADDITION, THERE WERE 10 TO 15 NON AMERICAN FIRMS WHICH ARE PRIMARILY INVOLVED IN U.S.-CHINA TRADE OR ARE IN CANTON PRIMARILY TO REPRESENT THEIR AMERICAN PARENT FIRMS OR AFFILIATES. THE AMERICANS AT CANTON UNIFORMLY

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REPORT THAT THEY ARE BEING TREATED VERY WARMLY BY THE CHINESE, AND THOSE WHO HAD BEEN TO THE AUTUMN FAIR SEE NO EVIDENCE OF ANY CHANGE IN THE CHINESE ATTITUDE TOWARD AMERICAN BUSINESSMEN. AS INDICATED IN PEKING'S 668, FAIR OFFICIALS APPEAR TO HAVE MADE AN EFFORT TO EMPHASIZE THIS POINT.

8. MOST ACTIVE OF THE U.S. FIRMS REPRESENTED ARE GENERAL IMPORT-EXPORT COMPANIES. THERE ARE ALSO A FAIR NUMBER OF SMALL SIZE IMPORTERS OF CHINESE TYPE GOODS. IN ADDITION, THERE ARE A VARIETY OF U.S. BUYERS WITH SPECIALIZED INTERESTS, SUCH AS TEXTILES, ESSENTIAL OILS, TOYS, MUSICAL INSTRUMENTS, FIREWORKS, AND CHEMICALS. LARGE U.S. RETAILERS AT CANTON DURING THE FIRST TEN DAYS INCLUDED SEARS WHICH BOUGHT PIECE GOODS (LESS THAN LAST FALL), THE MAY MERCHANDISE CORPORATION WHICH BOUGHT A SMALL AMOUNT OF GIFTWARE AND OTHER GOODS, A REPRESENTATIVE FROM BLOOMINGDALE'S WHO LOOKED AT STRAW MATTING AND EMBROIDERY BUT BOUGHT LITTLE, AND A REPRESENTATIVE OF THE MUTUAL BUYING SYNDICATE (WHICH REPRESENTS SOME 125 INDEPENDENTLY OWNED DEPARTMENT STORES) WHO WAS LOOKING INTO THE CANTON FAIR AS A POSSIBLE FUTURE SOURCE OF SUPPLIES. THERE WERE ALSO TWO GROUPS FROM HONG KONG PREPARING FOR VISITS LATER IN THE FAIR FOR THEIR AMERICAN PRINCIPLES: KODAK AND SINGER.

9. OF ORGANIZATIONS INTERESTED IN PROMOTION OF US/
CHINA TRADE, THE NATIONAL COUNCIL, WITH TWO REPRESENTATIVES
AND A SUITE, WAS FUNCTIONING EFFECTIVELY. ROBERT
FILLET, PRESIDENT OF THE US-CHINA CHAMBER OF COMMERCE,
IS EXPECTED IN CANTON LATER UNDER AN INVITATION ISSUED
TO THE CHINA TRADE CORPORATION. (WE UNDERSTAND THAT
THIS BODY HAS BEEN HAVING DIFFICULTIES AND MAY BE DIS-
SOLVED, AND IT IS NOT CLEAR WHETHER FILLET WILL MAKE
ANOTHER EFFORT TO PUSH HIS ORGANIZATION.) THE LOOSE AND
INFORMAL ASSOCIATION OF AMERICANS ATTENDING THE CANTON
FAIRS WAS NOT ACTIVE AT LEAST DURING THE FIRST TEN DAYS.

10. ALMOST ALL SEASONED FAIR-GOERS ARE IMPRESSED WITH THE
NEW FACILITIES WHICH HAVE MORE THAN DOUBLED THE FLOOR
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SPACE OF THE PREVIOUS BUILDING. IT WAS COMPLETED ON TIME,
THE DISPLAYS ARE MOSTLY NEW AND ATTRACTIVELY DONE, IT IS
WELL ORGANIZED (DESPITE SOME INITIAL CONFUSION DUE TO THE
LACK OF WALL DIAGRAMS AND DIRECTIONAL SIGNS), AND FACILI-
TIES FOR NEGOTIATING ARE GENERALLY BETTER. THE MACHINERY
IMPORT AND EXPORT CORPORATION (MACHIMPEX)--PROBABLY FOR
REASONS OF PRESTIGE--AND THE LIGHT INDUSTRIAL PRODUCTS
IMPORT AND EXPORT CORPORATION ARE THE LARGEST BENEFIC-
IARIES OF INCREASED SPACE. A CLOSE INSPECTION OF THE
PRODUCT DISPLAYS INDICATES ONLY A MODERATE IN-
CREASE IN THE VARIETY OF GOODS AVAILABLE. FOR THE
FIRST TIME TELEX FACILITIES ARE AVAILABLE AT THE FAIR,
AND THERE ARE FOUR LINES. ONLY OUTGOING MESSAGES ARE
PERMITTED ALTHOUGH IT IS POSSIBLE TO RECEIVE A RESPONSE
FROM THE RECIPIENT WHILE THE SENDER STILL HAS THE LINE.
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